

Approved For Release 2008/06/26: CIA-RDP78-01617A006100070036-4

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EUROPE

1. Estimated Soviet position regarding Germany--In an estimate of the position the USSR may adopt on Germany at a Conference of Foreign Ministers meeting, US Embassy Moscow expresses the view that the USSR, in order to achieve its primary objective of slowing down or even suspending the rearmament of Western Europe, may make greater concessions than would be apparent from the Prague declaration. The Embassy also believes the Kremlin intends to make the fullest use of another CFM meeting for propaganda purposes and will therefore present its case in a way which will make Western rejection "unpalatable and possibly unpopular." The Embassy believes it possible that the USSR may overestimate Western desire for an agreement on Germany and may be willing to agree to German unification on the basis of: (a) the establishment of a German Constituent Assembly drawn from present East and West German parliaments; (b) creation by that Assembly of an all-German government in which the Communists would be represented; (c) negotiation of a peace treaty with the new German government; and (d) early withdrawal of occupation troops. The Embassy points out that such an offer would appear to represent Soviet concessions but would in fact not run counter to basic Soviet aims. Withdrawal of occupation troops would be more disadvantageous to the West than to the USSR; moreover, the German Communists would find themselves one of the strongest political parties and in a position to take advantage of factional differences between the democratic parties. The Kremlin may estimate that under such conditions it could prolong the neutralization of Germany for an indefinite period and work towards the transformation of Germany into another Satellite.

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State Dept. review completed

DIA review completed.

Document No. _ NO CHANGE in Class. ☐ DECLASSIFIED Class. CHANGED TO: DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 3 APR 1978 By:

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USAF review completed.

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- 2. Soviet-Chinese relationship regarding Korea--In an analysis of Soviet and Chinese Communist motives in accepting the grave risks of war implicit in the decision to expel all UN forces from Korea, US Embassy Moscow expresses the view that following the Inchon landing the USSR was faced with its first loss of territory since the Tito defection, a loss which was particularly unpalatable to the Kremlin because it stood to lose much prestige in the Communist world generally and in Asia particularly. The Embassy considers it reasonable to assume that Communist China, before engaging in combat with US forces in Korea, was able to obtain definite and substantial commitments from the USSR. The Embassy believes the USSR may have agreed to furnish Communist China with military supplies to replace losses suffered in the Korean campaign, provide large scale air support in the event of UN attacks on China, and place Korea primarily under Chinese rather than Soviet control.
- 3. Reported Chinese Communist view on cease-fire--US Ambas-sador Henderson in New Delhi has learned of a discussion of the UN cease-fire proposal between Indian Ambassador Pannikar in Peiping and Chinese Foreign Minister Chou Enlai, during which Chou, though "somewhat noncommittal," suggested that the proposal would be more palatable to Peiping if it provided for a cease-fire and conversations to take place simultaneously. Chou said he would discuss the matter with his government.

Meanwhile, French delegate Chauvel has told a member of the US delegation at the UN that he feels the Chinese Communists will not flatly reject the new cease-fire proposal but will state conditions which might lead the West into negotiations while hostilities were continuing.

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